Patman Balked in Probe of CIA Funds

By Drew Pearson

The manner in which the CIA was able to hush up its channeling of public funds to tax-exempt foundations was partially brought to light by Rep. Wright Patman (D-Tex.), back in 1964.

Pearson

Patman did his best to dig into the CIA mystery but ran into a stone wall. Here is what happened when he cross-examined Internal Revenue officials on Aug. 31, 1964:

Patman — "On Aug. 10 I asked you to explain the fact that the IRS has taken no action on the Kaplan Fund for several years, despite the fact that millions of dollars of tax liabilities may be involved.

"Mr. Rogovin (assistant to IRS Commissioner Chaplin) indicated that the fund's operations with the CIA was the reason for the lack of action on the part of the IRS. Have you brought the file with you, Mr. Harding?"

Bertrand Harding (acting IRS head) — "I have not brought the file. It was my understanding . . . that it would be improper for me to comment on the material in that file."

Patman—"We want you to produce the file and, of course, there are ways we can do that. One is by a request, and the other is by a subpoena. I do not think you would want a subpoena issued for the file. Are you going to produce it for us?"

Harding—"Well, the investigative file is in New York."

Patman—"We made it rather plain that we wanted to have it at this time. We are going to have to request you to produce that file. Will you do it?"

Harding—"I would like to consult and answer that question later."

Let the CIA Answer

Rogovin — "The Revenue Service's action with respect to the Kaplan Fund has not been terminated, nor have we changed our legal opinion because of the CIA. That was a sensitive matter; we were dealing with it in a sensitive fashion, and there was some time delay as a result."

Patman—"In view of the fact that the Kaplan Fund has been under investigation by the IRS for a number of years prior to the CIA-Kaplan Fund-IRS arrangement, can you tell us why the CIA chose this fund to operate as a conduit for channeling funds?"

Rogovin — "I believe that would best be answered by a representative of the CIA."

Patman—"Is there a representative of the CIA here?"

Harding—"Not to my knowledge, sir."

(Laughter)

Patman — "Did you tell Milan Miskovsky (a CIA official who talked to the IRS about the Kaplan Fund) that the fund was in trouble with the IRS?"

Rogovin—"Yes, sir."

Patman — "And he is the only one at CIA that you dealt with?"

Rogovin—"No, I dealt with the general counsel, Lawrence Houston."

Patman — "How much money did the CIA channel through the J. M. Kaplan Fund, do you know?"

Rogovin—"No, I do not."

Was the Law Violated?

Patman—"The IRS has the responsibility to see that a foundation's funds are used in accordance with the law. Has the IRS examined the Kaplan Fund to determine whether the CIA funds—which are, of course, public funds—were actually disbursed by the Kaplan Fund? Mr. Harding, will you answer that?"

Harding—"Not to my knowledge."

Patman — "You have not gone into that at all?"

Harding—"No, sir; I have not."

Patman — "You have no knowledge of it?"

Harding—"I have no knowledge of it."

Patman — "A few days after our Aug. 10 hearing, George Cary, who described himself as assistant legislative counsel of the CIA, called on me. He stated that the Kaplan Fund has been used as a conduit for channeling CIA funds, but he knew very little about it."

Rogovin—"I spoke to Mr. Miskovsky and advised him of the questioning and what I had spoken to you in confidence about."

Patman—"I, too, considered it confidential. But when they promise information which they never follow through with—then, I feel that they are trifling with me and I no longer have any obligation to them.

"Our study of the Kaplan Fund's operations indicates a large possible tax liability, as well as violations of Treasury regulations and abuse of its public trust . . . I, personally, have the conviction that the expenditure of public funds is the public's business."

Patman presented Kaplan Fund tax returns for 1961, 1962 and 1963 in which there was no mention of receipt of CIA money. He also submitted evidence showing that the fund had received contributions from various groups.

Patman—"The addresses of these donors do not appear on the (Kaplan) Fund's tax returns, despite the fact that such information is required by Treasury regulations . . . Will you submit the addresses right away, by tomorrow?"

Harding — "If we can locate the returns."

The returns were never located.

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